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SUBJECT: OPPOSITION STEALS IDEA FOR "15TH MONTH" OF SALARY
FROM ZELAYA

Classified By: Ambassador Hugo Llorens, reasons 1.4 (b & d)

¶1. (C) Summary: In an effort to preempt reported plans by President Manuel "Mel" Zelaya to decree that all employers pay their employees an additional month of salary (the 15th month), Congress President Roberto Micheletti proposed a similar bill on April 21. Micheletti's version exempted many categories of workers and purportedly would allow employers to deduct this expense from their income taxes. In response, an angry Zelaya interrupted television and radio broadcasts multiple times in the past few days and threatened to pass constitutional amendments to dissolve both the Congress and the Executive by following the model being pursued by President Correa in Ecuador. End Summary.

¶2. (C) Following his successful imposition of an almost 60 percent minimum wage hike that bolstered his popularity with the working classes and the poor, in recent weeks rumors have abounded that President Manuel "Mel" Zelaya was planning to issue a decree that all employers would have to pay an additional month's salary (15th month) to employees. (Note: Currently, in addition to their regular salaries, all employees receive mandatory bonuses equivalent to a month of salary in June and in December - the 13th and 14th month. End note.) According to Embassy sources, both parties believed that Zelaya would announce his decree on International Labor Day (May 1) and rally huge masses in support. In an effort to outmaneuver Zelaya and steal his populist thunder, Congress President Roberto Micheletti decided to propose his own version of the 15th month. Micheletti's bill exempts small and medium enterprises, public sector employees, and several other categories of workers from having to pay the extra salary. The Micheletti bill would also allow employers to deduct the amount paid in the 15th month from their taxes. (Comment: The executive director of the Honduran Banking Association, who has reviewed the bill, told us that in fact it treated the 15th month of salary the same as all other wages and salaries in terms of tax treatment. End Comment.) Micheletti also called for the creation of a commission, which would study the bill before issuing a report. He told us that this was a move to diffuse the situation until after May 1.

¶3. (C) In response to Micheletti's action, Zelaya interrupted television and radio broadcasts to rail against Micheletti's

measure. Zelaya criticized the idea of providing a tax exemption for businesses, noting that it would result in a revenue loss of 4 billion lempiras (approximately USD 212 million). Zelaya threatened that if the Executive and the Congress could not come to an agreement on this issue, he proposed that Honduras follow the Ecuadorian example and institute a "Law of Crossed Death," which he explained would entail dissolving of both the Executive and the Congress and immediately calling for a constituent assembly. In response, many in the media criticized Zelaya for needlessly exacerbating political tensions by proposing such radical measures.

¶4. (C) Comment: The recent political spat over the 15th month highlights the growing political tensions in Honduras driven by growing fears that Zelaya may be attempting to subvert the constitutional order. As two of the major players in this political drama, there is a growing enmity between Zelaya and Micheletti resulting in a breakdown of political dialogue and the emergence of open confrontation between the leaders of the executive and legislative branches of government. We will continue to encourage all sides to seek to resolve their differences through dialogue and underscore U.S. support for a legal, constitutional and consensual solution.
End Comment.
LLORENS